



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 3a

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Memorandum

TO: Planning and Operations Committee

DATE: September 3, 2004

FR: Executive Director

RE: Resolution 3434 Update

This memorandum provides an update to the Resolution 3434 transit expansion projects in preparation for inclusion in Transportation 2030. In particular, the memo highlights revenues and cost changes, key modifications to project scopes, and initial determination of operating capacity. Taken together, these factors will determine the projects' eligibility for being included in the financially constrained element of Transportation 2030 as summarized at the conclusion of the memo.

Background

As part of the 2001 Regional Transportation Plan (RTP), the Commission approved a historic agreement on Bay Area transit expansion. Resolution 3434 – the successor plan to Resolution 1876 – identified 19 rail and bus projects as priority for transit expansion. Roughly \$9.7 billion in funding was identified for \$10.5 billion in project costs. The plan included an array of funding from federal, state, and local sources and matched funds to projects based on competitiveness and eligibility. **Attachment A** summarizes the Resolution 3434 funding strategy, as adopted in 2001.

While there are some changes to the regional funding picture and to individual project funding plans and scopes, the regional vision for an expanded transit network remains largely unchanged in this update. There is one new addition – eight new or expanded ferry routes and improvements to the San Francisco ferry terminal – that is proposed to enter the Resolution 3434 program as revised. This adjustment to the region's transit expansion program was contemplated at the time of its adoption in 2001, pending approval by the California Legislature of the Water Transit Authority's Implementation and Operations Plan, which has since occurred.

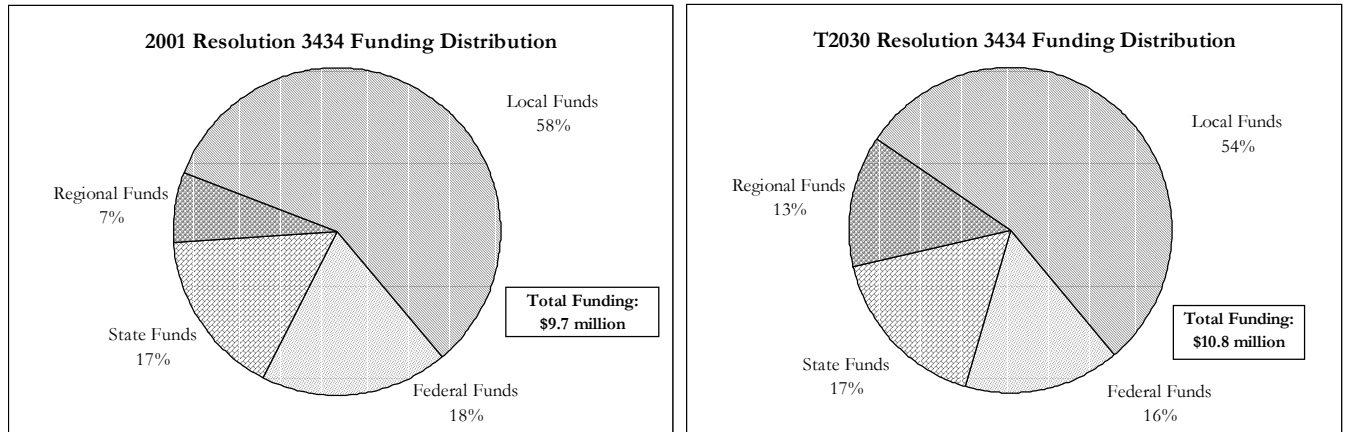
Programmatic Changes

Funding Landscape

There have been some changes in the funding landscape since the adoption in 2001, resulting in \$10.8 billion now being available for the Resolution 3434 capital project costs. The primary changes to the funding sources are as follows:

- Significant changes to the assumed contributions of sales taxes, Interregional Transportation Improvement Program (ITIP), and other local funding; and
- Addition of the following revenue sources: Regional Measure 2, ITIP Intercity Rail, and Federal Ferryboat Discretionary funds.

The overall mix of revenues for the funded element – federal, state, local, and regional – has remained relatively stable as shown in the comparative pie charts below. The non-federal share of funding has grown from 82% to 84%.



Attachment B is a proposed revision to the cost and funding matrix for Resolution 3434. It is important to note that while revenue has increased by \$1 billion since 2001, some of this is due to inflationary adjustments as well as ‘new’ revenues.

The big news for revenue was the passage of Regional Measure 2 in March 2004, which directed roughly \$800 million of secure revenues to the Resolution 3434 capital funding mix. The projects benefiting from this funding boost were many – AC Transit Enhanced Bus in the Telegraph Avenue/ International Blvd/E. 14th Street Corridor; BART Oakland Airport Connector; Tri-Valley Access Improvements to BART; BART East Contra Costa Rail Extension; BART to Warm Springs; Caltrain Downtown Extension/ Rebuilt Transbay Terminal; Capitol Corridor improvements; Regional Express Bus program; Sonoma Marin Rail; Dumbarton Rail; and Expanded Ferry Service. The Regional Measure 2 funds provided funding to close gaps where shortfalls existed for some projects and substituted more secure revenues for those that were less secure such as state discretionary ITIP funds, which are both extremely competitive and in short supply due to the state’s ongoing fiscal problems.

Other changes worth noting on the funding side include:

- The reliance on competitive ITIP contributions decreased by \$222 million. Of this decrease, \$129 million of intercity eligible candidates were shifted to a new, discrete fund source in the matrix, ITIP Intercity Rail;
- Sales tax contributions increased because of the passage of San Francisco’s Proposition K, which directed some revenue to the Muni Third Street New Central Subway, the Caltrain Downtown Extension/ Rebuilt Transbay Terminal, and the Caltrain Electrification project. There were also inflationary adjustments to other county sales tax contributions, which is standard for most sales tax expenditure plans;

- The ‘other’ category of funding changed significantly – decreasing from roughly \$1.8 billion in 2001 to \$1.1 billion in the 2004 update. These changes are specific to projects and were mostly attributed to the decrease in projections for the land sale and tax increment financing for the Caltrain Downtown Extension/ Rebuilt Transbay Terminal project; and
- A new funding category was added to acknowledge the availability of Federal Ferryboat Discretionary as a source of revenue for ferry terminals and vessels.

Similar to the adopted Resolution 3434 program in 2001, a funding shortfall of nearly \$1 billion still remains. As in 2001, roughly 8% of the capital funding has yet to be identified. Through the “Big Tent” advocacy efforts in the Transportation 2030 long-range plan, these funding gaps could be closed through a blend of sales tax measures, some on the November 2004 ballot, High Speed Rail Bonds scheduled for the statewide ballot in 2006, and earmarked federal funding in the pending SAFETEA legislation.

Project Highlights

Project Cost and Funding Plans

At first glance the cost and funding pictures may appear quite different from that adopted in December 2001. For example, the costs have increased from \$10.5 billion to \$11.8 billion and the types of revenue contributions, in many cases, have changed. On further examination, however, the majority of the costs changes were associated with cost escalation between 2001 and 2004 or the addition of RM2 as discussed above.

A few notable exceptions where project costs changed significantly as a result of additional project scoping or selection of a preferred alternative include the following:

- Tri-Valley Transit Access Improvements to BART: Changes in the cost estimates for the Tri-Valley Transit Access Improvement project arose from a change in scope of the project. Originally, the Tri-Valley Transit Access Improvement project was envisioned as a rail connection between the Dublin/Pleasanton BART station and the Livermore Valley. Since 2001, the policy advisory committee established to work on this project selected a preferred alternative that included HOV improvements along Interstate 580 with an express bus network to serve the project corridor, while preserving right of way for a future rail connection. Therefore, the revised project cost of \$445 million reflects a different scope with the same intended target benefit area.
- BART East Contra Costa Rail Extension: a project alternative was selected for the BART East Contra Costa Rail Extension project, which is an extension of rail transit service from the Pittsburg/Bay Point BART station eastward to the cities of Antioch, Oakley, Brentwood and the community of Byron using existing Union Pacific Railroad right of way and diesel multiple unit vehicles. This project is commonly known as eBART.
- Sonoma-Marin Rail project: additional studies and project scoping for SMART led to a shift in cost from \$200 million to \$288 million. SMART expects to release further refinements to their cost estimates this month.
- Dumbarton Rail project: the completion of the Bay Crossing Study and a Project Study Report resulted in refined cost figures for Dumbarton Rail, increasing it from \$129 million to \$300 million.

- **Addition of New Ferry Services:** With this update, staff is recommending adding the following Phase 1 and 2 ferry expansion projects to the vision for transit expansion in the Bay Area – 1) Phase 1: Berkeley, Alameda/Oakland/Harbor Bay, and South San Francisco to San Francisco, Downtown Ferry Terminal Improvements and Ferry Vessels; and 2) Phase 2: Alameda to South San Francisco, Hercules, Antioch/Pittsburg/Martinez, Treasure Island, Redwood City, and Richmond to San Francisco.

The total cost of these ferry improvements is \$239 million. Phase 1 is fully funded at \$100 million through RM2 and Federal Ferryboat Discretionary funds. Phase 2 will require additional contributions from “Big Tent” sales tax measures and federal high priority project funds.

Staff performed an evaluation of these new ferry projects against the financial and performance criteria established as part of Resolution 3357. As a reminder, Resolution 3357 established criteria that were used in screening the original projects for selection as regional priorities. The criteria included dedicated local funding, supportive land use, cost-effectiveness, system connectivity; system access; and project readiness. The new ferry services ranked comparably with other projects that were included at the time of original adoption of the regional transit expansion agreement in 2001.

Project Implementation

Project sponsors have been busy in the past three years. For the projects that were still in the conceptual phases at the time of Resolution 3434 approval, the past several years have been busy with technical and policy advisory committee meetings to complete project alternative selection. Some projects are in the environmental impact review process while others have obtained necessary project approvals or funding allocations. In two cases, expanded transit service has been implemented. Staff has examined the current status of each project, including project schedules and recent actions and key issues of interest. Specific highlights include:

- The Caltrain Express or “Baby Bullet” began revenue service in early June 2004, thanks to funding provided by the Traffic Congestion Relief Program (TCRP).
- Similarly, approximately twelve new or enhanced regional express routes are in operation, also secured with TCRP program funds.
- The Muni Third Street New Central Subway and BART to San Jose extension projects were granted federal approval to move into preliminary engineering. Further, the Muni Third Street cleared another federal hurdle in 2004 with a ‘recommended’ rating for the Federal New Starts program;
- MTC adopted a strategy for prioritizing AC Transit’s Enhanced Bus projects in advocacy efforts for FTA Section 5309 Bus Discretionary funds. AC Transit is slated to release its Draft EIR/EIS in early 2005 for the Enhanced Bus along the Telegraph Blvd/International Blvd/E. 14th Street corridor;
- A Request for Proposal for Design-Build on the BART to Oakland Airport project is expected to be released in early 2005;
- The Environmental Impact Report (EIR)/Environmental Impact Statement (EIS) was certified for the Caltrain Downtown Extension/ Rebuilt Transbay Terminal project in

April 2004, thereby completing the CEQA process. The completion of the NEPA process is expected within the next few months with the Record of Decision from the Federal Transit Administration.

- Caltrain Electrification has received comments on its Environmental Document and expects to receive a Record of Decision in early 2005.
- AB 224 was enacted into law and created the Sonoma Marin Rail Transit (SMART) District. The 12-member SMART Board will govern the district and operate and manage a passenger rail system through Sonoma and Marin counties once additional funding is secured. SMART expects to release the Administrative Draft EIR/EIS in early 2005.
- A policy advisory committee – consisting of member of representatives from the San Mateo County Transportation Authority (SMCTA), Santa Clara Valley Transportation Agency (SCVTA), and the Alameda County Transportation Improvement Authority (ACTIA), Capitol Corridor, and the Silicon Valley Manufacturing Group – was established in April 2004 to oversee the early implementation phase of the Dumbarton Rail project. The policy advisory committee designated the San Mateo County Transportation Authority as lead agency to begin the environmental process.

Demonstration of Operating Financial Plan

Resolution 3434 and its policy companion, Resolution 3357, required that project sponsors demonstrate financial capacity for operations and maintenance of expanded services. In addition, the financial capacity determination required that existing core bus services not be adversely affected. At the time of Resolution 3434's adoption, all sponsors had submitted financial plans for operating the services. The changing economic situation places additional constraints on operating funding and, therefore, we have requested Board approval of specific financial capacity plans targeted to Resolution 3434 projects. Failure to provide such a plan will result in a project not being included in the financially constrained element of Transportation 2030. To date, the following information has been received:

- AC Transit staff has indicated that they plan to take an update to their Short-Range Transit Plan to the Board in September for the AC Transit Enhanced Bus Phase 1: Telegraph Avenue, International Boulevard, and East 14th Street project.
- BART staff has indicated that they plan to take an update to their Short-Range Transit Plan to the Board in September. This plan will include the costs associated with operating the BART to Warm Springs, BART to Oakland Airport, and the BART East Contra Costa Rail Extension projects.
- Caltrain plans to include the Caltrain Electrification project in their Short Range Transit Plan, scheduled for adoption by the Joint Powers Board in October.
- San Francisco Muni took an operating plan to their Board on August 10th for their existing system and the new expanded Third Street New Central Subway. Assuming some enhanced revenues from several sources now under consideration such as a parking tax increase, a Transit Impact Development Fee ordinance, and regular fare increases, Muni is able to demonstrate operating sustainability.
- The Valley Transportation Authority has communicated that it does not currently have the funding necessary to operate the BART Extension to San Jose/Santa Clara and the

Downtown East Valley: Santa Clara/Alum Rock Enhanced Bus and Capitol Expressway LRT Extension to Nieman projects. Therefore, only preliminary engineering and right-of-way – which have full capital funding – will be included in the financially constrained element of the Transportation 2030 Plan for these two projects.

- Other Resolution 3434 sponsors have identified that Regional Measure 2 or state funds will be available to fund their operating plan – including Capitol Corridor, Dumbarton Rail, Regional Express Bus, and the ferry expansions from San Francisco to Berkeley, Alameda/Oakland/Harbor Bay, and South San Francisco.

Project sponsors of Resolution 3434 projects that do not have a fully funded capital plan are not required to demonstrate operating capacity at this time and therefore are omitted from the discussion above. The most notable project in this category is the new Transbay Terminal.

RTP Status

MTC is currently in the process of updating its long-range plan, Transportation 2030. Transportation 2030 identifies transportation investments for the region in the years from FY 2005 to FY 2029. The plan includes two elements: a financially constrained element and the “Big Tent” element – which together comprise the overall blueprint for the region’s transportation investments. In order for a Resolution 3434 project to be included in the financially constrained element, a project must be well-defined, have a fully-funded capital plan, and be able to demonstrate operating capacity for the life of the plan or 10 years, whichever is longer.

Attachment B highlights the projects or project elements that are included in the *Draft Transportation 2030 Plan*. “Green” indicates that a project is included in the draft plan, although in many cases an operating plan is required for the project to remain in the final document to be approved in 2005. “Yellow” indicates that a phase or phases are included in the draft plan. “Red” indicates that the project is not included in the draft plan because there is a capital shortfall. In some cases, this status could change in the final plan if an operating sustainability plan is not approved by the transit agency Boards, as discussed above, or a sales tax measure is approved in November to complete the project’s capital and/or operating funding plan.

Next Steps

Based on the outcome of the November sales tax elections and the submittal of the Board approved operating plans, MTC staff will finalize the funding plans and Transportation 2030 status for the Resolution 3434 projects. The revised funding plans will be memorialized in Transportation 2030 and through a revision to Resolution 3434, both scheduled for early 2005.

Steve Heminger

ATTACHMENT A: Regional Transit Expansion Policy - Funding Strategy

(Project Cost/Funding in Millions)			Committed Funding					Regional Discretionary Funding (see attached definitions)					Shortfall	Blueprint Funds		Issues/Notes
Project	Sponsor	Project Cost (2001 \$)	TCRP	Sales Tax	Resolution 1876	RTIP/STP/ CMAQ	Other	Section 5309 New Starts	RM-1 Rail	ITIP	Section 5309 Bus	CARB/ AB 1171 AB 434		Prop. 42 (ACA 4) RTIP	Sales Tax	
BART to Warm Springs	BART	634	111	193	205	25	12		8	80			-			Note 1
BART: Warm Springs to San Jose	VTA	3,710	614	2,262				834					-			Note 2
MUNI Third Street Light Rail Transit Project Phase 2 - New Central Subway	SFCTA/Muni	647	140			75		432					-			
BART/Oakland Airport Connector	BART	232		75		44	37		31	45			-			Note 3
Caltrain Downtown Extension/Rebuilt Transbay Terminal	SFCTA	1,885		27		23	1,573		53	59		150	-			Note 4
Caltrain Rapid Rail/Electrification	JPB	602		345		47	95			65		50	-			Note 5
Caltrain Express: phase 1	JPB	127	127										-			
Downtown to East Valley: Light Rail and Bus Rapid Transit Phase 1 and 2	VTA	518		518									-			Note 6
Capitol Corridor Phase 1 Expansion	CCJPA	129	10			3	18			98			-			Note 7
AC Transit Oakland/San Leandro Bus Rapid Transit: Phase 1 (Enhanced Bus)	AC Transit	151		23		17					111		-			
Regional Express Bus Phase 1	MTC	40	40										-			
Dumbarton Rail	JPB	129		117						12			-		√	
BART/East Contra Costa Rail Extension	CCTA/BART	345		59		20			52			115	99	√	√	Note 8
BART/Tri-Valley Rail Extension	ACCMA/BART	345		10		16	47		32			95	145	√		Note 9
Aitamont Commuter Express (ACE): service expansion	ACE	121		32						15			74	√		ITIP element of Prop. 42
Caltrain Express: Phase 2	JPB	330		140									190	√	√	
Capitol Corridor: Phase 2 enhancements	CCJPA	284	18			18				99			149	√	√	see Note 7; ITIP element of Prop. 42
Sonoma-Marin Rail	SMART	200	37				28						135	√	√	Note 10
AC Transit Enhanced Bus: Hesperian/Foothill/MacArthur corridors	AC Transit	90									27		63	√		
TOTAL		\$ 10,519	\$ 1,097	\$ 3,801	\$ 205	\$ 288	\$ 1,810	\$ 1,266	\$ 176	\$ 473	\$ 138	\$ 360	\$ 50	855		

General Notes

For all projects, see Terms and Conditions listed in Attachment D.

- 1: 'Other' funding includes \$12 million in BART funds. Resolution 1876 includes \$60 M in RM-1 payback and \$145M in San Mateo buy-in.
- 2: Assumes swap of \$111 million in TCRP funds from BART to San Jose to the Warm Springs project.

Sales tax includes adjustment to 2001 dollars, \$50 million from Measure B commuter rail, and \$118 million in Measure A contingency. Budget assumes \$35 million in TCRP and \$12 million in RABA funds washed to the county for off budget right of way cost
- 3: 'Other' funding includes \$25M in Port of Oakland and \$12M in City of Oakland funds.
- 4: 'Other' refers to \$1.2 billion land sales and tax increment financing equivalent to provisions of AB 1419 (split \$1,036 million for the TBT and \$164 million for the Downtown Extension project), \$311 million in net operating revenues from the TBT, and Sales tax is San Mateo Measure B. STP/CMAQ/RTIP funding is San Francisco share.
- 5: 'Other' refers to \$20 million in salvage value from sale of diesel engines and \$75 million in Section 5309 funds for the replacement of 30 existing diesel trains with electric train units.

Sales tax is \$108 million in San Mateo Measure B and \$237 in Santa Clara Measure A. \$47 million in STP/CMAQ/RTIP funding is San Francisco's share. Final sales tax and STP/CMAQ/RTIP funding will be as provided by the Joint Powers Agreement as it curre
- 6: Measure A sales tax adjusted to 2001 dollars.
- 7: Capitol Corridor service expansion will result in 16 daily round trips between Oakland and Sacramento/San Jose (inlcudes Alviso second track). Intercity Rail ITIP funds are assumed for Phase 1 track improvements and additional service enhancements in
- 8: The total cost includes funding for a right-of way element of this project with a cost of \$95 million -comprised of \$33 million in sales tax, \$20 million in STP/CMAQ/RTIP, and \$42 million in RM-1 Rail.
- 9: The total cost includes funding for a right-of way element of this project with a cost of \$80 million - comprised of \$10 million in sales tax, \$16 million in STP/CMAQ/RTIP, \$47 million in Livermore Impact Fees, and \$7 million in RM-1 Rail.
- 10: 'Other' funds include \$28M in Proposition 116 funding.

Attachment B - Proposed Revision to Funding Plan for Resolution 3434

(Project Capital Cost/Funding in Millions and 2004\$)			Committed Funding						Regional Discretionary Funding											In Draft T2030 Financially Constrained Element	Big Tent Funding			
Project	Sponsor	Project Cost (2004 \$)	TCRP	Sales Tax	Resolution 1876	RTIP	STP/ CMAQ	Other [see notes]	Section 5309 New Starts	Section 5309 Bus	Section 5309 Rail Modernization	RM-1 Rail	RM 2	ITIP	ITIP Intercity Rail	Ferryboat Discretionary	AB 1171	CARB/ AB 434	Capital Shortfall		High Speed Rail Bonds	Sales/ District Tax	High Priority Project	
AC Transit Berkeley/Oakland/San Leandro Bus Rapid Transit: Phase 1	AC Transit	167		23		30				49			65							-	Yes, but approved operating plan still needed			
Major Corridors Enhancements - Bus Rapid Elements	AC Transit	97				7				90										-	Yes, but approved operating plan still needed			
BART/Oakland Airport Connector	BART	254		76		81		25				31	30	10						-	Yes, but approved operating plan still needed			
Tri-Valley Transit Access Improvements to BART	BART/ACCMA	445	25	22		55		13				16	65	154			95			-	Yes, but approved operating plan still needed			
BART East Contra Costa Rail Extension	BART/CCTA	390	5			13		6				52	96				115		103	ENV, PE, and ROW only		103		
BART to Warm Springs	BART	678	111	195	205	58						24	85							-	Yes, but approved operating plan still needed			
BART: Warm Springs to San Jose/Santa Clara	VTA	4,149	649	2,611					889											-	ENV, PE, and ROW only			
Caltrain Express: phase 1 ** OPEN FOR SERVICE**	Caltrain JPB	128	127					1												-	Yes			
Caltrain Express: Phase 2	Caltrain JPB	482		149										44					289	No		289		
Caltrain Electrification	Caltrain JPB	602		391		27	12	21			80			43				28		-	Yes, but approved operating plan still needed			
Caltrain Downtown Extension/Rebuilt Transbay Terminal	TJPA	1,817		301		24		873				53	150				150		265	ENV, PE, and ROW only	251		14	
Capitol Corridor Phase 1 Expansion	CCJPA	158	20					95							43					-	Yes			
Capitol Corridor: Phase 2 enhancements	CCJPA	96				2		50					13		31					-	Yes			
Regional Express Bus **Phase 1 OPEN FOR SERVICE**	MTC	102	40										62							-	Yes, but approved operating plan still needed			
MUNI Third Street Light Rail Transit Project Phase 2 - New Central Subway	Muni	694	14	128		80			472											-	Yes			
Altamont Commuter Express (ACE): service expansion	SJRRC, ACCMA, VTA	128		34											16				78	No		73	5	
Sonoma-Marin Rail	SMART	288	37					30					35						186	ENV, PE, and ROW only		186		
	SMTA, ACCMA, VTA, ACTIA, Capitol Corridor	300		113		14							135		39					-	Yes			
Dumbarton Rail																								
Downtown/East Valley: Santa Clara/Alum Rock Corridor and Capitol Expressway LRT Extension to Nieman	VTA	550		550																-	ENV, PE, and ROW only			
Expanded Ferry Service Phase 1: Berkeley, Alameda/Oakland/Harbor Bay, and South San Francisco to San Francisco, Downtown Ferry Terminal Improvements, and Spare Vessels.	WTA	100											72			28				-	Yes			
Expanded Ferry Service Phase 2: Alameda to South San Francisco, and Hercules, Antioch, Treasure Island, Redwood City and Richmond to San Francisco.	WTA	139						21					1			66			51	No		45	6	
TOTAL		\$ 11,764	\$ 1,028	\$ 4,593	\$ 205	\$ 392	\$ 12	\$ 1,135	\$ 1,361	\$ 139	\$ 80	\$ 176	\$ 809	\$ 251	\$ 129	\$ 94	\$ 360	\$ 28	\$ 973		\$ 251	\$ 696	\$ 25	

Notes: For all projects, see Terms and Conditions.

Detail on 'other' funding is provided below:

1. BART/Oakland Airport Connector: \$25 million is Port of Oakland funds.
2. Tri-Valley Transit Access Improvements to BART: \$8 million in Tri-Valley impact fees and \$5 million in a federal earmark.
3. BART East Contra Costa Rail Extension: \$6 million in developer fees.
4. Caltrain Express: phase 1: \$1 million is Joint Powers Board member contributions.
5. Caltrain Electrification: \$21 million is salvage value of sale of diesel engines.
6. Caltrain Downtown Extension/Rebuilt Transbay Terminal: Other funds include \$11 million in Federal Demonstration funds, \$361 million in land sales and tax increment financing, \$170 million in net operating revenues, \$50 million in leveraged lease transaction, and \$281 million in AC Transit/Caltrain passenger facility charges.
7. Capitol Corridor Phase 1 Expansion: Other includes \$95 million in Public Transportation Account funds for train sets.
8. Capitol Corridor: Phase 2 enhancements: Other funds include contributions from ACE, UPRR, Port of Oakland, and Emeryville.
9. Sonoma-Marin Rail: Other includes \$28 million in Prop. 116 and \$2 million in Federal Marin Station Sites funds.
10. Expanded Ferry Service Phase 2: Other is developer fees.